

NBB | Financial Statements



**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of National Bank of Bahrain BSC, ("the Bank") which comprise the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

RESPONSIBILITY OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The Directors of the Bank are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition, in our opinion, the Bank has maintained proper accounting records and the financial statements are in agreement therewith. We have reviewed the accompanying report of the Chairman, Managing Director & Chief Executive and confirm that the information contained therein is consistent with the financial statements. We are not aware of any violations of the Bahrain Commercial Companies Law 2001, the Central Bank of Bahrain and Financial Institution Law 2006, terms of the Bank's license or its memorandum and articles of association having occurred during the year ended 31 December 2007 that might have had a material effect on the business of the Bank or on its financial position. Satisfactory explanations and information have been provided to us by the management in response to all our requests.

KPMG

15 January 2008

Kingdom of Bahrain

As at 31 December 2007

	Note	31 December 2007		31 December 2006	
		BD millions	US\$ millions	BD millions	US\$ millions
Assets					
Cash and balances at central banks		53.54	142.39	50.18	133.46
Treasury bills	4	16.89	44.91	74.42	197.93
Placements with banks and other financial institutions	5	500.14	1,330.17	337.43	897.42
Loans and advances	6	945.97	2,515.87	784.31	2,085.92
Investment securities	7	348.79	927.63	392.42	1,043.69
Accrued interest receivable and other assets	8	21.31	56.69	20.52	54.57
Fixed assets	18	17.07	45.40	17.10	45.48
Total assets		1,903.71	5,063.06	1,676.38	4,458.47
Liabilities					
Due to banks and other financial institutions	9	302.33	804.07	185.55	493.49
Borrowings under repurchase agreements	10	18.14	48.23	40.88	108.74
Customers' deposits	11	1,319.95	3,510.51	1,199.78	3,190.90
Accrued interest payable and other liabilities	12	19.66	52.30	28.03	74.54
Total liabilities		1,660.08	4,415.11	1,454.24	3,867.67
Equity					
Share capital	19	64.80	172.34	54.00	143.62
Reserves and retained earnings	20	178.83	475.61	168.14	447.18
Total equity		243.63	647.95	222.14	590.80
Total liabilities and equity		1,903.71	5,063.06	1,676.38	4,458.47
Capital adequacy ratio	40		28.3%		28.7%

Abdulla Ali Kanoo
Chairman

Hassan Ali Juma
Managing Director and Chief Executive

The Board of Directors approved the Financial Statements consisting of pages 42 to 73 on 15 January 2008.

The accompanying notes 1 to 44 are an integral part of these Financial Statements.



For the year ended 31 December 2007

	Note	31 December 2007		31 December 2006	
		BD millions	US\$ millions	BD millions	US\$ millions
Income					
Interest income	22	99.24	263.94	83.38	221.76
Less: interest expense	22	57.07	151.79	44.79	119.12
Net interest income		42.17	112.15	38.59	102.64
Other income	23	22.86	60.81	18.96	50.42
Net interest and other income		65.03	172.96	57.55	153.06
Operating Expenses					
Staff	24	17.64	46.92	14.04	37.35
Other		5.83	15.51	6.65	17.68
Total operating expenses		23.47	62.43	20.69	55.03
Net income before provisions		41.56	110.53	36.86	98.03
Net provisions	6	-	-	-	-
Net income		41.56	110.53	36.86	98.03
Earnings per share	37	64.1 fils	US\$ 0.17	56.9 fils	US\$ 0.15

Abdulla Ali Kanoo
Chairman

Hassan Ali Juma
Managing Director and Chief Executive

The accompanying notes 1 to 44 are an integral part of these Financial Statements.

NBB | Statements of Changes in Equity

For the year ended 31 December 2007

For the year ended 31 December 2007 in BD millions	Note	Share capital	Statutory reserve	General reserve	Revaluation reserve	Retained earnings*	Total	
							BD millions	US\$ millions
At 1 January 2007		54.00	27.00	34.00	49.63	57.51	222.14	590.80
2006 appropriations (approved by the shareholders)								
Dividend at 40%		-	-	-	-	(21.60)	(21.60)	(57.45)
Donations and contributions		-	-	-	-	(1.84)	(1.84)	(4.89)
Directors' remuneration		-	-	-	-	(0.30)	(0.30)	(0.80)
Balance after 2006 appropriations		54.00	27.00	34.00	49.63	33.77	198.40	527.66
One for five bonus issue		10.80	-	(10.80)	-	-	-	-
Transfer from retained earning to general reserve		-	-	14.60	-	(14.60)	-	-
Transfer from general reserve to statutory reserve		-	5.40	(5.40)	-	-	-	-
Available-for-sale securities								
Net change in fair value		-	-	-	5.12	-	5.12	13.62
Net amount transferred to profit and loss		-	-	-	(1.45)	-	(1.45)	(3.86)
Net income recognised directly in equity		-	-	-	3.67	-	3.67	9.76
Net income for the year		-	-	-	-	41.56	41.56	110.53
Total income recognised for the year					3.67	41.56	45.23	120.29
At 31 December 2007	19-21	64.80	32.40	32.40	53.30	60.73	243.63	647.95

* The appropriations for the year 2007 will be submitted for approval by the Board of Directors to the shareholders at the annual general meeting. These appropriations include BD 25.92 million for cash dividend at 40% (2006: 40%), BD 2.08 million for donations and contributions and BD 0.35 million for directors' remuneration. The Board of Directors has also proposed a one for five bonus issue through utilisation from General Reserve (refer note 19) and the transfer of BD 6.48 million from General Reserve to Statutory Reserve (refer note 20).

For the year ended 31 December 2006 in BD millions	Note	Share capital	Statutory reserve	General reserve	Revaluation reserve	Retained earnings	Total	
							BD millions	US\$ millions
At 1 January 2006		54.00	27.00	34.00	59.05	44.08	218.13	580.14
2005 appropriations (approved by the shareholders)								
Dividend at 40%		-	-	-	-	(21.60)	(21.60)	(57.45)
Donations and contributions		-	-	-	-	(1.53)	(1.53)	(4.07)
Directors' remuneration		-	-	-	-	(0.30)	(0.30)	(0.80)
Balance after 2005 appropriations		54.00	27.00	34.00	59.05	20.65	194.70	517.82
Available-for-sale securities								
Net change in fair value		-	-	-	(9.03)	-	(9.03)	(24.01)
Net amount transferred to profit and loss		-	-	-	(0.39)	-	(0.39)	(1.04)
Net income recognised directly in equity		-	-	-	(9.42)	-	(9.42)	(25.05)
Net income for the year		-	-	-	-	36.86	36.86	98.03
Total income recognised for the year					(9.42)	36.86	27.44	72.98
At 31 December 2006	19-21	54.00	27.00	34.00	49.63	57.51	222.14	590.80

The accompanying notes 1 to 44 are an integral part of these Financial Statements.



For the year ended 31 December 2007

	Note	31 December 2007		31 December 2006	
		BD millions	US\$ millions	BD millions	US\$ millions
Cash flows from operating activities:					
Net income		41.56	110.53	36.86	98.03
Adjustments to reconcile net income to net cash from operating activities:					
Depreciation		1.53	4.07	1.52	4.04
Net income after adjustments		43.09	114.60	38.38	102.07
Changes in operating assets and liabilities					
Treasury bills		36.18	96.22	(24.69)	(65.66)
Placement with banks and other financial institutions		(25.27)	(67.21)	18.11	48.16
Loans and advances		(161.65)	(429.92)	(86.95)	(231.25)
Available-for-sale securities		50.19	133.49	(110.31)	(293.38)
Investments at fair value through profit and loss		(2.89)	(7.69)	4.57	12.15
Accrued interest receivable and other assets		(0.79)	(2.10)	(6.65)	(17.69)
Due to banks and other financial institutions		116.78	310.59	(29.71)	(79.02)
Borrowings under repurchase agreements		(22.74)	(60.48)	13.99	37.21
Customers' deposits		120.17	319.60	185.28	492.77
Accrued interest payable and other liabilities		(8.37)	(22.26)	4.71	12.53
Net cash from operating activities		144.70	384.84	6.73	17.89
Cash flows from investing activities:					
Purchase of fixed assets		(1.50)	(3.99)	(0.92)	(2.45)
Net cash (used for) investing activities		(1.50)	(3.99)	(0.92)	(2.45)
Cash flows from financing activities:					
Dividends		(21.60)	(57.44)	(21.60)	(57.44)
Directors' remuneration and donations and contributions		(2.14)	(5.70)	(1.83)	(4.87)
Net cash (used for) financing activities		(23.74)	(63.14)	(23.43)	(62.31)
Net increase/(decrease) in cash and cash equivalents		119.46	317.71	(17.62)	(46.87)
Cash and cash equivalents at 1 January	13	279.28	742.76	296.90	789.63
Cash and cash equivalents at 31 December	13	398.74	1,060.47	279.28	742.76

The accompanying notes 1 to 44 are an integral part of these Financial Statements.